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C O N F I D E N T I A L SECTION 01 OF 02 NICOSIA 001869

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SUBJECT: TALAT ON FINNISH PROPOSAL, UN PROCESS

REF: NICOSIA 1842

Classified By: Ambassador Ronald L. Schlicher, reasons 1.4 (b) and (d).

11. (C) SUMMARY. In a November 1 meeting with Ambassador Schlicher, Turkish Cypriot "President" Mehmet Ali Talat was pessimistic about the prospects of the Finnish proposal on Varosha/ports -- and criticized the EU process for making "unfair" and one-sided demands of his community for the sake of Turkey and the ROC. He suggested that the Finns, Cyprus problem neophytes, had been maneuvered into presenting what was essentially a reheated version of an earlier, unacceptable Papadopoulos proposal. Talat said that the Turkish Cypriots were nevertheless ready to negotiate in good faith -- starting with his November 3 meeting in Brussels with FM Tuomioja and in subsequent proximity talks Talat's representatives plan to attend in Helsinki. Talat claimed to have no idea whether or not Turkey would attend the Helsinki talks. On the UN track, Talat stressed that the current deadlock was the result of Greek Cypriot unwillingness to move forward; Papadopoulos wanted to "cripple" the UN process so it would not undermine his ability to extract concessions from Turkey in the EU forum. Ambassador Schlicher pressed Talat for flexibility with both the EU and UN; Talat agreed that it would not be in the Turkish Cypriot interest to be responsible for a failure on either track. END SUMMARY.

FINNISH PROPOSAL "UNFAIR..."

12. (C) In a November 1 meeting with Ambassador Schlicher, Turkish Cypriot "President" Mehmet Ali Talat expressed several misgivings about Finnish efforts to broker a Varosha/ports/trade deal. The benefits on offer for the Turkish Cypriots, he said, were minimal, especially since the economically important Ercan Airport was not on the table. As it stood now, Talat said, the Greek Cypriots stood to gain a great deal -- access to Turkish ports, the prospect of a return to Varosha, and the surrender of Turkish Cypriot "sovereignty" over the operations of Famagusta port. (COMMENT: Our understanding from the local Finnish Ambassador (reftel) is that they have proposed a Commission role in the management of trade, but not of the port itself, as Talat contends. END COMMENT).

13. (C) The Finns, Talat complained, did not understand the Cyprus problem and had been maneuvered by the Greek Cypriots into offering a warmed-over version of Papadopoulos's original, unacceptable proposal on Varosha. For its part, the EU was inherently biased. "Greek Cypriot" membership had skewed the Union's ability to act as an honest broker, Talat claimed, and as a result the EU was now reneging on its 2004 post-referendum promise of direct trade -- which the Turkish Cypriots had already earned with their "yes" to the Annan Plan. Talat said the GOC would certainly seek to complicate the implementation of any direct trade package adopted as part of the Finnish deal, as it had with the long-delayed financial aid measure. Although the Finnish compromise could

benefit the Greek Cypriots and even Turkey, the Turkish Cypriots would probably get nothing in exchange for their concessions.

14. (C) Ambassador Schlicher refuted the idea that the Finnish proposal was unfair, noting that it contained plusses and minuses for each side. The Greek Cypriots were unhappy that the Finnish proposal did not envision the immediate and unconditional return of Varosha. He acknowledged that the EU had been slow to fulfill its 2004 commitments to the Turkish Cypriots, but noted the Union's financial aid package had finally been approved despite GOC objections. The Finnish presidency was now engaged in an honest effort to move forward on trade for the Turkish Cypriots in a way that would also avert a crisis in Turkey's accession process. The Turkish Cypriots, he stressed, would get no closer to ending their isolation by being inflexible with the Finns.

... BUT WE'LL PLAY BALL. WILL TURKEY?

15. (C) Talat agreed that it was not in his community's interest to be responsible for a Finnish flame-out, and acknowledged that continued progress on Turkish EU accession was a prerequisite for a solution to the Cyprus problem. Therefore, he said, he was "ready" to negotiate on the Finnish proposal. First, Talat would travel to Brussels on November 3 for a meeting with FM Tuomioja. His "Foreign Minister" Turgay Avci and "presidential undersecretary" Rasit Pertev would attend FM-level talks in Helsinki. Oddly, Talat said he had been under the impression these would be direct talks -- which would be "better" than proximity talks -- but said the Turkish Cypriots would nonetheless participate "in good faith."

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16. (C) Asked about Turkey's participation in the Helsinki talks, Talat said he understood and supported the GOT's desire to include Greece in the talks. Negotiations without GOG representatives would set a bad precedent for the UN track, where Cyprus's "guarantor powers" were traditionally included in tandem. Ultimately, however, Talat said he did not know whether the Turks would attend the talks if their conditions were not met.

UN TRACK: "GREEK CYPRIOTS TO BLAME" FOR DEADLOCK

17. (C) Turning to the UN track, Talat stressed that he was ready and eager for an "early resumption of talks." This was in his interest since he wanted to see a lasting solution on the island -- and in the interest of Turkey, whose EU accession would be continually "poisoned" by any ongoing settlement deadlock. Talat expressed hope that the Gambari Process would be a success. He supported the UN's latest bridging proposal, the substance of which the Turkish Cypriots had negotiated "sincerely" with SRSB Moller.

18. (C) The problem, Talat insisted, was the Greek Cypriots -- who at first objected to the specific timelines in the proposal and then (after those timelines were softened to meet their concerns) raised objections over the UN's plans to put the proposal in writing. Talat suggested that the real Greek Cypriot goal was to "cripple" the UN process, where both sides were on an equal footing, by keeping it as vague and non-committal as possible. Meanwhile, Papadopoulos would continue to press for concessions from Turkey in the EU forum, where the Greek Cypriots enjoyed the upper hand.

19. (C) Ambassador Schlicher noted that the UN had not accepted Greek Cypriot demands for an open-ended process. The Turkish Cypriots had shown the right attitude by engaging Moller on the substance of the bridging proposal; the GOC's recent public rift with Moller and the UN was evidence that Papadopoulos was feeling uncomfortable. Continued Turkish

Cypriot flexibility and engagement on the UN track would keep the pressure on Papadopoulos, take some of the pressure out of Turkey's EU accession, and increase the chances of renewing active and meaningful settlement talks.

COMMENT

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¶10. (C) Although Talat was concerned that the Finnish proposal might be detrimental to Turkish Cypriot interests, he seemed nonetheless willing to give it the old college try.

Having been down this road before (with the unsuccessful 2005 Luxembourg talks), he is understandably skeptical. But Talat recognizes that the stakes are higher this time and, especially since he knows that Ankara, Nicosia, and Brussels are the real decision-makers, has a pragmatic streak. He would probably be willing to brave domestic political criticism and accept a less-than-perfect deal if 1) he felt that it offered at least some tangible benefits for his community, 2) he felt that it furthered prospects for a Cyprus settlement by averting a Turkey-EU train wreck, and 3) he was confident that a flexible approach had Ankara's full support. But the 64,000 YTL question is whether Turkey will join him and engage in serious give-and-take in Finland at the suggested proximity talks. Only if this happens will Papadopoulos be put back on the spot and forced to make a choice between "yes" and "no." END COMMENT.

SCHLICHER